

Message Text

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PAGE 01 OECD P 11951 122042Z

15

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 IO-10 NEA-09 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 L-02 H-02 /101 W
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R 121728Z MAY 75

FM USMISSION OECD PARIS

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LIMITED OFFICIAL USE OECD PARIS 11951

E.O. 11652: N/A

TAGS: EFIN, ECON, OECD

SUBJECT: COUNCIL DISCUSSION OF SECRETARIAT'S NOTE FOR
MINISTERIAL MEETING ON ECONOMIC AND FINANCIAL PROSPECTS
OF OECD COUNTRIES

REF: (A) C(75)71; (B) STATE 107996

1. OECD COUNCIL DISCUSSION MAY 9 ON SECRETARIAT'S NOTE
(REFERENCE A) FOR TOPIC 2 OF AGENDA FOR MINISTERIAL
MEETING ELICITED COMMENTS FROM A NUMBER OF COUNTRIES.
REMARKS BY U.S. (BASED ON REFERENCE B) WERE MOST
DETAILED AND SUBSTANTIVE, PRESUMABLY DUE TO ABSENCE OF
INSTRUCTIONS FROM CAPITALS IN MANY OTHER CASES.

2. IN GENERAL, SECRETARIAT WAS PRAISED FOR BALANCE,
SOPHISTICATION AND COMPLETENESS OF DOCUMENT. SEVERAL
SPEAKERS SUGGESTED THAT FORMAT COULD BE IMPROVED TO
HIGHLIGHT MAIN POINTS AND TO PRESENT KEY ISSUES FOR
MINISTERS IN MORE STRIKING FASHION.

3. ON SUBSTANCE, APART FROM U.S. COMMENTS, ITALY
INTERVENED TO ARGUE THAT SECRETARIAT'S PAPER NEEDED TO
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PAGE 02 OECD P 11951 122042Z

BE BALANCED BY INCLUSION OF RECOMMENDATION FOR

ADDITIONAL EXPANSIONARY ACTION BY STRONG COUNTRIES. TURKEY AND GREECE MADE SIMILAR POINT, EMPHASIZING THIS WOULD HELP PROBLEMS OF DEVELOPING OECD MEMBER COUNTRIES. GERMANS SAID ARE PLEASED WITH THRUST OF SECRETARIAT'S DOCUMENT AND PREFER THAT IT REMAIN AS IT STANDS. (IN FACT, GERMAN DELEGATE SAID HE WOULD WANT TO KNOW ABOUT IT IF MAJOR CHANGES WOULD BE MADE.)

4. SWISS SUGGESTED THAT IT WOULD BE HELPFUL IF PAPER GAVE EVEN MORE EMPHASIS ON RESPONSIBILITIES OF COUNTRIES STILL BESET BY HIGH INFLATION, SINCE THESE COUNTRIES MAY BE CREATING DIFFICULTIES FOR THE WORLD ECONOMY. SWISS ALSO (NOT SURPRISINGLY) FELT THAT DISCUSSION IN PARAGRAPH 8 OF REFDOK B SHOULD BE AMPLIFIED TO EMPHASIZE DAMAGE EXTENSIVE EXCHANGE RATE FLUCTUATIONS CAN CAUSE TO TRADE POSITIONS. U.K. DELEGATE AGREED WITH BROAD CONCLUSIONS OF SECRETARIAT'S PAPER WHICH HE SAID COINCIDED WITH U.K.'S OWN ASSESSMENT. HIS MAJOR SPECIFIC COMMENTS WERE:

(A) IN PARAGRAPH 7, ON BASIS RESULTS IN FIRST QUARTER OF 1975, OPEC'S CURRENT ACCOUNT SURPLUS AND CORRESPONDING OECD DEFICIT MAY STILL BE OVERSTATED.

(B) WITH REGARD TO PARAGRAPH 10, SECRETARIAT MAY BE OVERLY BEARISH ABOUT THE RATE OF RECOVERY THAT MAY BE TAKING PLACE AT THE END OF 1975, AND

(C) WITH RESPECT TO PARAGRAPH 13, THE U.K., ON BALANCE, FINDS THE "DOWNSIDE RISK" GREATER THAN THE "UPSIDE RISK". FINALLY, AUSTRALIA MADE COMMENTS WITH REGARD TO EXCHANGE RATE CHANGES AND MONETARY POLICY WHICH WENT SOMEWHAT IN THE SAME DIRECTION AS U.S. VIEWS ON THESE POINTS.

5. SECRETARIAT INDICATED WOULD REFLECT ON COMMENTS MADE AND EXPECTED TO ISSUE DOCUMENT IN FINAL FORM UNDER SECGEN'S RESPONSIBILITY EARLY IN WEEK OF MAY 11.
TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, TEXT, BALANCE OF PAYMENTS, COMMITTEES, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP11951
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750166-0255
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750561/aaaacddo.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 C(71, 75 STATE 107996
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 MAY 2003 by CunninFX>; APPROVED <19 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNCIL DISCUSSION OF SECRETARIAT'S NOTE FOR MINISTERIAL MEETING ON ECONOMIC AND FINANCIAL PROSPECTS
TAGS: EFIN, ECON, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006